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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ

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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 0273

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 3384

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1202

RUEHKO/AMEMBASSY TOKYO PRIORITY 1069

RUEHIT/AMCONSUL ISTANBUL PRIORITY 1638

RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEKJCS/Joint STAFF WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 ASHGABAT 000226

SIPDIS

SENSITIVE

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STATE FOR SCA/CEN, EEB

E.O. 12958: N/A

TAGS: [PGOV](#) [EAGR](#) [ECON](#) [SOCI](#) [TX](#)

SUBJECT: TURKMEN FEEL IMPACT OF RISING MARKET-BASKET COSTS

REF: ASHGABAT 0213

**¶1.** (SBU) SUMMARY: As Turkmenistan's unusually chilly weather continues, food prices have continued to rise. A recent price survey showed that the average increase for basic food staples since early January was three percent. Turkmenistan's residents worry that Turkmenistan's unusually cold winter will affect livestock and crops, leading to a further increase of food prices. However, the major concern for most Turkmenistanis is the February 11 increase in the cost of vehicle fuel. Most here expect food prices to begin showing the effects of the higher gasoline prices very soon. END SUMMARY.

COLD WEATHER CONTINUES TO AFFECT FOOD PRICES

**¶2.** (U) A February 7 price survey revealed that prices of both local and imported food items have continued to increase. According to vendors at local food markets, prices for locally supplied food items -- including (non-subsidized) bread, meat and vegetables -- increased primarily due to the unusually cold weather Turkmenistan experienced throughout most of January and the early part of February.

Food Item	Price (2/08)	Price (1/08)	% Change
Bread (1 homemade)	8,000 Manat	6,000 Manat	33
Flour (1 kg)	16,000 Manat	16,000 Manat	0
Rice (1 kg)	20,000 Manat	20,000 Manat	0
Butter (1 kg)	140,000 Manat	130,000 Manat	8
Vegetable Oil (1 lit)	43,000 Manat	36,000 Manat	19
Sugar (1 kg)	16,000 Manat	16,000 Manat	0
Beef (1 kg)	55,000 Manat	50,000 Manat	10
Lamb (1 kg)	50,000 Manat	45,000 Manat	11
Chicken (whole)	55,000 Manat	70,000 Manat	-21
Milk (1 lit)	15,000 Manat	15,000 Manat	0
Cheese (1 kg)	95,000 Manat	90,000 Manat	6
Eggs (ten)	17,000 Manat	30,000 Manat	-43

**¶3.** (SBU) With the exception of lamb, higher feed prices for cattle and pigs resulted in increased prices for meat products, including

sausage. Lamb prices are currently low because many sheep perished in the cold in Turkmenistan's northern provinces in January. However, lamb prices are expected to be much higher than usual by spring, because Turkmen farmers do not freeze meat products for future sale, and fewer live lambs will be available in April. Thanks to the import of U.S. chicken-leg quarters around the new year and a change in policy that allows local chicken to be sold in markets, chicken prices fell 21% since early January.

¶4. (SBU) Not reflected in the above market basket is the doubling in the last month in local produce costs. Carrots and lettuce, for example, have risen from 5,000 to 10,000 manat. Other produce has shown similar increases. In January, many vendors in Turkmenistan's outdoor markets experienced substantial spoilage due to produce freezing. Decreased availability led to higher produce prices. Prices for imported food, including butter and vegetable oil, also increased due to higher shipping costs. However, the price of eggs has fallen 43% since early January due to an infusion of imported eggs.

#### INCREASED GASOLINE PRICES WILL AFFECT FOOD MARKET PRICES

¶5. (SBU) Gasoline prices increased on February 11 from 400 to 3,100 manat per liter (from 2 cents to approximately 16 cents at the commercial exchange rate). Local observers believe that increased transportation costs due to the increased price of gasoline will shortly lead to an increase of food prices at local markets. Since the majority of produce comes from Dashoguz, Lebap and Mary provinces, residents of Ashgabat and western Balkan province will feel the brunt of the increased prices.

#### WAGE INCREASE HAS NOT COMPENSATED FOR INCREASED PRICES

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¶4. (SBU) On January 1, the government increased wages of state employees by 10 percent. The following comparison of food prices from the period between January 2005, when state employees' wages last increased, and January 2008, indicates that prices for market basket items have risen an average of 30 percent.

Food Item	Price (1/08)	Price (1/05)	% change
Bread (1 home-made)	6,000 Manat	4,000 Manat	33
Flour (1 kg)	16,000 Manat	8,000 Manat	50
Rice (1 kg)	20,000 Manat	15,000 Manat	25
Butter (1 kg)	130,000 Manat	80,000 Manat	38
Vegetable oil (1 liter)	36,000 Manat	25,000 Manat	31
Sugar (1 kg)	16,000 Manat	11,000 Manat	31
Beef (1 kg)	50,000 Manat	45,000 Manat	10
Lamb (1 kg)	50,000 Manat	45,000 Manat	10
Chicken (1 kg)	70,000 Manat	45,000 Manat	36
Milk (1 Liter)	15,000 Manat	5,000 Manat	67
Eggs (ten)	17,000 Manat	15,000 Manat	12
Total cost	426,000 Manat	298,000 Manat	30

¶5. (SBU) COMMENT: Although the manat's value against the dollar has increased, food prices (which should be falling) are not yet reflecting the new currency exchange rates. With an average middle-class wage of about \$150 per month, people have become increasingly preoccupied about how they will make ends meet. However, the government does seem to be aware of the problems people are facing. The decision to import "Bush legs" and to allow local chicken producers to sell their chickens locally on the market came about following the virtual disappearance of chickens from the market last fall. About a week ago, after news that many head of cattle had been lost in the cold, the government put out a tender to purchase 11,365 tons of beef and beef parts. We assume that these measures in both cases are to help ensure that access to and prices of certain basic items remain steady until herds (and flocks) can be replenished. END COMMENT.

HOAGLAND